

Original Long Term #1

HORMEL FOODS CORPORATION

LONG-TERM HOG PROCUREMENT AGREEMENT

Hormel Foods Corporation, with its principal place of business in Austin, Minnesota, (hereinafter "Hormel Foods"), desires to obtain butcher hogs from the undersigned producer ("Producer") who wishes to participate in a long-term commitment program. Under this program, Hormel Foods will pay Producer an established hog production cost plus an agreed upon factor, the sum of which will be called the "guaranteed minimum price." In exchange, when the "prior week's average market price" (as defined by this Agreement) exceeds the guaranteed minimum price, Hormel Foods shall retain one-half (1/2) of the difference between the two prices, in accordance with the following terms and conditions:

1. TERM. The term of this Agreement is for a period of five (5) years to ten (10) years from the date of receipt of the first hogs delivered on the contract set forth below. The length of time is to be determined and agreed upon by Hormel Foods and Producer. The term contained herein is a term of essence of the Agreement: it is hereby acknowledged by both parties that Hormel Foods' payment of a guaranteed minimum price is contingent upon Producer's ability to remain in the program for the entire term of the contract, so as to allow for ordinary market swings to become fully incorporated in the pricing structure. The undersigned producer agrees to a term of \_\_\_\_\_ years under this Agreement.
2. HORMEL FOODS' OBLIGATIONS.
  - (a) Hormel Foods will agree to pay Producer a guaranteed minimum price, as set forth in the attached Cost Allowance Matrix, plus \$5.00 per live cwt (hereinafter defined as "guaranteed minimum price"). As shown in the Cost Allowance Matrix, costs will be subject to weekly changes based on an eight (8) week moving average of Omaha corn and Decatur/Central Illinois 44½ soymeal prices. The Cost Allowance Matrix is for plant delivered hogs.
  - (b) The Cost Allowance Matrix will not change during the contract term except if:
    - (1) corn and soybean quotes are no longer reliable or indicative of actual corn and soymeal markets; or
    - (2) changes in production practices occur such as the use of Beta Agonist, PST, other feed additives or medications, implementation of new equipment or